

Power tariff relief for industries to be unveiled today

ISLAMABAD: The government has decided in principle to announce on Tuesday a major relief package of the electricity tariff for general, small and medium industries to encourage higher power consumption and manufacturing.

As part of the Industrial Support Package (ISP), two separate meetings of as many cabinet committees decided to offer incremental power consumption in industrial and SME sector at Rs8 per unit and do away with peak and off-peak rates.

A cabinet member told Dawn that a formal approval to both decisions would be granted by the federal cabinet which is scheduled to meet on Tuesday.

Prime Minister Imran Khan is expected to himself announce the package and appeal to relevant consumers to take maximum benefit from the package and increase their production for reviving economic activities in the country and creating job opportunities.

Under Industrial Support Package, incremental power consumption in industrial and SME sector at Rs8 per unit will be offered

The cabinet member said Adviser to the Prime Minister on Finance and Revenue Dr Abdul Hafeez Shaikh, who presided over a meeting of the Economic Coordination Committee (ECC) of the cabinet, had informally discussed the package with the International Monetary Fund (IMF) and would get back to the fund formally after approval of the cabinet.

The IMF is believed to have given a green signal for the package provided it is a time-bound step until June 30, 2021, as a stimulus aimed at meeting Covid-related challenges, instead of the government's decision to keep the package in place for three years and involving about Rs350 billion subsidy.

Sources said the cost of the package for remaining eight months of the current fiscal year was estimated between Rs25bn and Rs30bn. This would be covered through diversion of funds out of the Prime Minister's Rs1.24 trillion support for various sectors of the economy and sections of society announced at the start of the pandemic, but a major part remained unspent last fiscal year and was rolled over to the current fiscal year.

The ECC which had a single point agenda on the package agreed to offer Rs8 per unit to all industrial consumers, including SMEs, involving a per unit subsidy of about Rs5.

The cabinet member hoped that these consumers would be given electricity at the marginal cost of generation i.e. Rs12.96 per unit with effect from July 1, 2021.

Peak and off-peak rates

Separately, the meeting of Cabinet Committee on Energy (CCOE) presided over by Minister for Planning and Development Asad Umar on Monday approved to do away with peak and off-peak rates for all industrial and commercial sectors.

The Power Division had originally proposed an energy support package for small and medium industries involving cheaper tariff involving about Rs350bn for three years which could not get through ECC for obvious considerations of IMF programme.

The Power Division had proposed two options, including Rs12.96 per unit rate for every kind of industrial consumption in B-1 to B-4 categories mostly covering Small & Medium Enterprise (SME). This is subsidy neutral option because this is the marginal cost of power generation.

The second option was to provide a subsidised rate of Rs8 per unit involving Rs5 per unit subsidy to encourage SMEs towards maximum consumption as a stimulus as a multiplier effect for enhanced industrial output. Based on past experience, there was an estimate for Rs20-30bn annual subsidy for industrial SME sector. The existing normal rate for these four categories falling between B-1 to B-4 ranged Rs17.35 and Rs20.40 per unit.

Officials said the peak and off-peak rates were introduced a long time ago when the country faced power shortages and the power companies wanted to discourage industry and commerce and other consumers in peak hours through higher rates but this had become irrelevant after surplus power available in the country and causing higher capacity payments.